Nine Ways to Avoid Copyright Termination
Part 1

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The statutory "termination right," a creation of the 1976 Copyright Act, lets authors or their heirs recapture previously granted, transferred, or licensed copyrights. Publishers, filmmakers, studios, and others risk losing rights to works they may have been principally responsible for developing into valuable properties. Part I of this article discusses the history, procedures, and effects when the termination right is exercised. Part II, to be published in the next issue of *New Matter*, will discuss nine strategies for grantees and licensees to avoid having their copyright rights terminated.

INTRODUCTION

It's 2012, which marks nearly 35 years since the last major revision of the United States Copyright Act took effect. The Copyright Act of 1976[1] included an important new right for authors and their heirs called the "termination right."[2] This right lets an author or specified heirs terminate and reclaim previous sales, grants, transfers, and licenses of the author's copyrighted works after they have been developed and possibly become valuable through the investment and efforts of licensees and grantees.

The Act has three main provisions regarding termination of prior grants. One provision addresses grants made by the author after the Act took effect on January 1, 1978.[3] Another provision allows termination of copyright grants made by the author or specified heirs before the Act's effective date.[4] The third provision, added in 1998, concerns termination of grants in older copyrights, whose terms were extended by the Sonny Bono Copyright Term Extension Act.[5]

So far, these provisions "have been little utilized by authors or their heirs."[6] But, in view of the 35-year provision, and next year's 35-year anniversary of the Act's effective date, the time window is about to start for terminations as to works created and granted after January 1, 1978.[7] Year-by-year an increasing number of valuable copyright grants, transfers, and licenses from the 1970s, 1980s, and later will become subject to termination by authors and heirs. These are rights granted to publishers, movie studios, and others in popular books, comics, films, songs, and other creative works. The number and importance of terminations can be expected to grow.

The potential for an author to terminate a prior transfer or license of a copyrighted work presents a significant risk to transferees and licensees. Valid exercise of the termination right divests the transferee or licensee of their rights in the work, notwithstanding "any agreement to the contrary, including an agreement to make a will or to make any future grant."[8]

In the past, authors and heirs of such famous pre-1978 works as the song *Who's Sorry Now*;[9] the books *Of Mice & Men, Tortilla Flat*, and other works of author John Steinbeck;[10] *Lassie Come Home;*[11] *Winnie-The-Pooh;*[12] *Captain America;*[13] *Tarzan,*[14] and *Superman*[15] sought to exercise termination rights, sometimes successfully,[16] sometimes not.[17]

Besides movie studios and publishers, many other licensees are also at risk of having valuable copyright grants terminated. These

include industrial and retail companies that used independent contractors to make photographs and create logos, labels, mascots, advertising, graphic art, manuals, and product instructions.

Publishers, studios, producers, and other businesses make significant investments in developing works they acquire or license. They have an interest in analyzing whether such works may be subject to termination, and assessing lawful ways termination may be avoided. As noted above, Part I of this article discusses the history, procedures, and effects when the termination right is exercised. Part II of this article will discuss at least nine strategies a grantee or licensee may be able to use to avoid termination of rights, and thus retain the ability to continue using copyrighted works obtained from others.

BACKGROUND OF THE COPYRIGHT TERMINATION RIGHT

The idea for granting authors a right of termination grew out of the renewal right in earlier Copyright Acts. The Copyright Act of 1831 provided an initial copyright term of 28 years and the possibility for the owner to renew the copyright for 14 more years. The renewal vested a new title in the copyright holder. [18]

The purpose of the renewal term was to provide the author and his family a second chance to benefit from the author's work.[19] A House Report preceding the 1909 Copyright Act noted, "it not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum."[20] Thus, "the renewal term permits the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested."[21] The renewal right lets an author who sold rights for a low price, when measured against a work's later success, to enjoy a second chance, with more bargaining power, to benefit from the work's full value.[22]

The objective of the renewal right was eroded by a 1943 Supreme Court decision, *Fred Fisher Music Co. v. M. Witmark & Sons*.[23] The Court held that renewal rights were assignable along with the original term rights in a work.[24] This ruling let publishers, producers, and others who acquired content and copyrights require authors to assign their renewal copyright rights as part of the initial low-priced acquisition of the work.[25]

In revising the copyright laws in 1976, Congress restored the second chance for authors or their heirs to reacquire or renegotiate the original transfer or license of the copyrighted work.[26] The 1976 Act replaced renewal of copyrights with the termination right. This right "was expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product."[27]

The termination right is automatically vested in the author. To protect authors, the right cannot be waived by contract and is inalienable.[28]

TIMING AND PROCEDURE FOR EXERCISING THE TERMINATION RIGHT

The Copyright Act states the manner and timing for authors or heirs to terminate prior copyright grants. Termination is effected by serving a notice, in writing, signed by owners of more than 50% of the termination interest or their duly authorized agents.[29]

The notice must be served on the grantee or grantee's successor-in-title.[30] It must state the effective date of termination.[31] That date must fall within a particular five-year window, as discussed below. The notice must comply in form, content, and manner of service, along with additional requirements, as established by the Register of Copyrights.[32] For example, a copy of the notice must be recorded in the Copyright Office.[33] Noncompliance renders the termination notice ineffective.[34]

The Act specifies the time frames when the termination may take effect and when the notice must be served. Determining these dates can be complicated, making it helpful to work through the basic rules.[35]

The termination right may be exercised during a five-year window. For grants made by the author after January 1, 1978, the window starts thirty-five years from the date of execution of the grant. If the grant covers the right to publish the work, the window starts thirty-five years from the publication date under the grant, or forty years from the date of execution of the grant, whichever term ends earlier.[36] For copyrights that already existed at January 1, 1978, for which grants were made before that date, the five-year window starts 56 years from the date the copyright was originally secured, or January 1, 1978, whichever is later.[37] For example, if a copyright was secured in 1970, the five-year window starts in 2026. For copyright terms extended by the Sony Bono Act, the five-year window starts 75 years from the date the copyright was originally secured.[38]

The termination notice must state the effective date of termination within the five-year window. The notice must be served within an eight-year window, at least two years before the effective date, but no more than ten years before the effective date of the termination.[39]

EFFECT OF EXERCISE OF THE TERMINATION RIGHT

Exercise of the termination right has significant impacts on the grantee or licensee. On the effective date of termination, substantially all U.S. copyright rights revert to the author or specified heirs holding termination interests."[40] Regardless of whether the prior grant or license was in perpetuity, or for a limited time, regardless of the size of the grantee's or licensee's investment, value of the copyright, amounts previously paid to the author or harm to the grantee or licensee, termination cuts off the grantee's or licensee's rights.

Mills Music, Inc. v. Snyder[41] provides a sense of the potential impact. In *Mills Music* a songwriter had transferred a copyright to a music publisher. The publisher had issued over 400 licenses permit-

ting record companies to use the song *Who's Sorry Now*. The record companies had recorded numerous versions of the song, using various artists and musical arrangements. The writer's widow and son sought to terminate the prior grant to have all subsequent royalties under the numerous licenses turned over to themselves.[42]

In other cases, authors and heirs sought to reacquire copyright rights to iconic works and characters, such as *Superman, Captain America*, and *Winnie-The-Pooh*.[43] So far, there is no indication in the Act, or court decisions, that authors or heirs must repay any of the consideration given for the original grant or license.[44]

For these reasons, publishers and studios have a significant interest in avoiding terminations. Analysis of the statute and reported decisions indicates there are several ways publishers and studios may be able to avoid having their copyright grants and licenses terminated. ◀◀

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Part II of this Article, to be published in the next issue of* New Matter*, will explore statutory and case law authority for at least nine strategies that grantees, transferees, and licensees may consider using to avoid having their copyright rights terminated.

The views expressed in this article are personal to the authors and do not necessarily reflect the views of the authors' firms, the State Bar of California, or any colleagues, organization, or client.

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Endnotes

1. 17 U.S.C. §§ 101-1332 (*hereinafter* "the Copyright Act" or "the Act").
2. 17 U.S.C. §§ 203(a), 304(c), and 304(d).
3. 17 U.S.C. § 203.
4. 17 U.S.C. § 304(c).
5. 17 U.S.C. § 304(d). *See Penguin Group (USA), Inc. v. Steinbeck*, 537 F.3d 193, 202 (2d Cir. 2008) (noting timing of enactment of this section).
6. *Siegel v. Warner Bros. Entertainment, Inc.*, 690 F.Supp.2d 1048, 1050 (C.D. Cal. 2009).
7. *Broadcast Music, Inc. v. Roger Miller Music, Inc.*, 396 F.3d 762, 774 (6th Cir. 2005) (Termination "provide[s] an author and his descendants the power to recapture ownership of a previously assigned copyright.").
8. 17 U.S.C. §§ 203(a)(5) and 304(C)(5).
9. *See Mills Music, Inc. v. Snyder,* 469 U.S.153 (1985) (but holding certain derivative works prepared pre-termination, under authority of the grant, could continue to be used post-termination).
10. *See Penguin Group (USA) Inc. v. Steinbeck,* 537 F.3d 193 (2d Cir. 2008) (holding an attempted notice of termination was ineffective).
11. *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2007) (holding termination notice was effective).
12. *Milne ex rel. Coyne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005) (attempted termination of 1930 grant of rights was ineffective because parties had entered into new grant in 1983).
13. *Marvel Characters v. Simon*, 310 F.3d 280 (2d Cir. 2002) (author was not precluded from claiming to be the author of *Captain America* for the purpose of exercising the termination right).
14. *Burroughs v. Metro-Goldwyn-Mayer*, 683 F.2d 610 (2d Cir. 1982) (termination notice was not effective as to works not listed in the notice).
15. *Siegel v. Warner Bros. Entertainment, Inc.*, 658 F. Supp.2d 1036 (C.D. Cal. 2009) (exercise of termination right concerning *Superman* comics was effective as to some works, not effective as to others).
16. *Mills Music, Inc., supra* note 9 ("*Who's Sorry Now*); *Classic Media, Inc., supra* note 11 (*Lassie Come Home); Marvel Characters, Inc., supra* note 13 (*Captain America).*
17. *Penguin Group (USA) Inc., supra* note 10 (certain works of John Steinbeck); *Milne ex rel. Coyne, supra* note 12 (Winnie-The-Pooh); *Burroughs, supra* note 14 (Tarzan).
18. *See Stewart v. Abend,* 495 U.S. 207, 218 (1990).
19. *Id.*
20. H.R. Rep. No. 2222, 60th Cong. 2d Sess. 14 (1909) (quoted in *Stewart, supra* note 18, at 218).
21. *Stewart, supra* note 18, at 218–219.
22. *See, e.g., Woods v. Bourne Co.,* 60 F.3d 978, 982 (2d Cir. 1995).
23. *Fred Fisher Music Co. v. M. Witmark & Sons,* 318 U.S. 643 (1943).
24. *Id.*
25. *See* discussion in *Marvel Characters, Inc., supra* note 13, at 284; *Larry Spier, Inc. v. Bourne Co.,* 953 F.2d 774, 779 (2d Cir. 1992).
26. *Woods, supra* note 22, at 982.
27. *Mills Music, Inc., supra* note 9, at 172–173; *see also, Penguin Group (USA) Inc., supra* note 17, at 197.
28. 17 U.S.C. §§ 203(a)(5), 304(c)(5) (termination may be effected "notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant."); *Stewart, supra* note 18, at 230 (termination right is inalienable). *See also, Marvel Characters, Inc., supra* note 13, at 290 ("clear Congressional purpose" for § 304(c) "was to prevent authors from waiving their termination right by contract.").
29. 17 U.S.C. §§ 203(a)(1) and 304(c)(1).

30. *Id.*
31. 17 U.S.C. §§ 203(a)(4)(A) and 304(c)(4)(A).
32. 17 U.S.C. §§ 203(a)(4)(B) and 304(c)(4)(B). *See* regulations at 37 C.F.R. § 201.10 *et seq*. Some additional requirements are that the notice must state the section of the Copyright Act pursuant to which the notice is given, the name of each grantee whose rights are being terminated, each address where the notice is being served, the title and name of at least one author, certain original dates (*e.g.*, the date the copyright was originally secured or date of grant, as applicable), and a statement identifying the grant that the termination applies to. For a termination executed by persons other than the author, certain information about the surviving persons who execute the grant is required. The regulations also state requirements for signing and serving the termination notice.
33. 17 U.S.C. §§ 203(a)(4)(A) and 304(c)(4)(A).
34. *Burroughs, supra* note 14, at 622 (termination notice was ineffective as to works not identified in the notice); *Music Sales Corp v. Morris*, 73 F. Supp. 2d 364, 378 (S.D. NY 1999) (termination notice deemed effective).
35. Some online copyright termination calculators are available. One of these can be accessed at http://lawlib.unc.edu/termination/index.php.
36. 17 U.S.C. § 203(a)(3).
37. 17 U.S.C. § 304(c)(3); *see also Broadcast Music, Inc., supra* note 7, at 770.
38. 17 U.S.C. § 304(d)(2).
39. 17 U.S.C. §§ 203(a)(4)(A) and 304(c)(4)(A).
40. 17 U.S.C. §§ 203(b) and 304(c)(6). The termination rights of a deceased author are owned 50% by the author's surviving spouse. The author's children own the remaining 50%, or 100% if there is no surviving spouse. Grandchildren succeed *per stirpes* to the ownership of any deceased child. 17 U.S.C. §§ 203(a)(1)-(2), 304(c)(1)-(2). If the author is dead, the termination right may be exercised by the owners of more than one-half of the deceased author's termination interest. 17 U.S.C. §§ 203(a)(1) and 304(c)(1). The terminated rights revert to such persons *per* 17 U.S.C. §§ 203(b) and 307(c)(6).
41. *Mills Music, Inc., supra* note 9.
42. *Id.*, at 155, 158, and 162.
43. *See supra* notes 12–15.
44. One can hypothesize, for example, an outright transfer of a copyright in a new work by a 30-year-old author for a specific sum (*e.g.*, $120,000), reciting a mutually agreed expected copyright duration of 120 years (life of author mutually estimated by the parties to last another 50 years, + 70 years, pursuant to 17 U.S.C. § 302(a)), and reciting that the price reflects an agreed $1,000 per year. A question might arise, if the author or heirs terminate the transfer after 35 years, whether the terminating party ought to repay the grantee $85,000. Analysis of this issue is beyond the scope of this article.

CHAIR LETTER
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In addition to the IP Institute in November, 2012, we also are offering our highly popular "Patent Office Comes to California," "Copyright Office Comes to California," and "IP and the Internet" programs this year. Please make sure you are receiving Inevitable Disclosures, our twice-monthly enewsletter. If you are not, go to your State Bar Profile and make sure we have your current email address.

Regarding meeting the challenges set out in President Obama's State of the Union addresses, each of these events highlight cutting edge IP protection issues, are fiscally responsible, are creative and cost-effective solutions to your MCLE and networking needs in a tough economy, and increase our educational and professional opportunities. Your IP Section is delivering excellent educational and networking opportunities that are far more cost-effective than any other provider. I hope you take advantage of these events and join in the fun.

Sincerely,
Matthew Powelson

ACTUAL TRANSFER
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111. *See* RIAA—For Students Doing Reports, http://www.riaa.com/faq.php (last visited May 5, 2001).
112. *Id.; see Nicholds, supra* note 3 at 1023.
113. *Capital Records, Inc. v. Thomas*, 579 F. Supp. 2d. 1210, 1227–28 (D. Minn. 2008).
114. *Id.*
115. *See Donovan v. Penn Shipping Co.*, 429 U.S. 648, 653 (1977).
116. *See* Copyrights & Campaigns: Judge Davis's *Remittitur* Order, http://copyrightsandcampaigns.blogspot.com/2010/01/judge-davis-remittitur-order-groundhog.html (last visited May 4, 2010).
117. *Id.*